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# Program Memorandum Intermediaries/Carriers

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Department of Health and  
Human Services (DHHS)  
Centers for Medicare and  
Medicaid Services (CMS)

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## CHANGE REQUEST 1704

**SUBJECT: Health Insurance Portability and Accountability Act (HIPAA) Electronic Data Interchange Testing and Reporting Requirements**

This Program Memorandum (PM) provides carriers, Durable Medical Equipment Regional Carriers (DMERCs), and fiscal intermediaries (FIs) with the requirements for conducting open testing of certain HIPAA transactions with their electronic data interchange (EDI) trading partners, as well as reporting requirements. These requirements supplement those issued in Transmittal AB-01-07, dated January 19, 2001, on Contractor Testing Requirements. Those requirements continue to apply.

### **EDI Submitter Testing**

Your EDI submitters are required to pass certain levels of testing on the X12N 4010 837 Health Care Claim prior to your moving them into production. You are to perform levels 1 and 2 testing for all EDI submitters on version 4010 of the X12N 837 Health Care Claim, unless you have received and accepted certification from them (see Certification Systems and Services below) or you choose to implement the exception in paragraph 4 of this section. CMS has adopted the Workgroup for Electronic Data Interchange (WEDI) Strategic National Implementation Process (SNIP) Testing Sub-workgroup's recommendations on the levels of testing that need to occur in order that CMS is in line with the health care industry's testing recommendations. The testing white paper may be found at [www.wedi.org](http://www.wedi.org). This PM requires testing of levels 1, 2 and 4, unless indicated otherwise. Level 3 applies to remittance advice balancing and is addressed in the X12N 835 instructions. The levels of testing include:

#### Level 1 – Transmission/Transaction Integrity

Your translator will perform this testing. Your translator must test for high-level accuracy of the transmission and transactions and validate the syntax compliance at the standard level.

#### Level 2 – Data Integrity

This testing is related to implementation guide (IG) requirements. For carriers and DMERCs, the IG edits have been developed by your standard system for the inbound X12N 4010 837 as directed in PM B-00-49, PM B-00-68, and PM B-01-06. Carriers and DMERCs may also elect to perform their own IG edits in addition to the standard system IG edits. For APASS FIs, the standard system will perform the IG edits. For FISS FIs, the standard system will perform the IG edits for users who use the TSI/Mercator translator. This testing relates to editing for implementation guide specific requirements, such as, required segments and data elements, relational edits (for example, numeric data in numeric-defined elements), and valid code values, such as qualifiers specific to a particular IG.

If an EDI submitter is using a billing service, clearinghouse, or vendor supplied software to generate a certain transaction and that billing service, clearinghouse, or software package has passed testing requirements for that transaction (testing with you or a certification system that you accepted) and is using the same program/software to generate the transaction for all of their clients, it is your discretion as to whether you test all clients of the billing service, clearinghouse, or software vendor on that transaction. If you have successfully tested your free Medicare billing software with some EDI submitters, you do not have to test it with all EDI submitters using the software.

You must set up test schedules and begin to test your EDI claim submitters on the X12N 4010 837 Health Care Claim after September 30, 2001. In order that all tests are completed by October 16, 2002, you are to encourage your EDI submitters to begin testing as early as possible. In order that Medicare providers, billing services, and clearinghouses that request testing by June 30, 2002 are able to complete testing by October 1, 2002, you must conduct a reasonable number of EDI submitter tests each month throughout the transition period. It is your discretion to determine what reasonable number is appropriate for your testing situation. Each contractor is responsible for making sure that any submitter that requests testing by June 30, 2001, has sufficient test opportunities to transition by October 16, 2002. You are to advise your EDI trading partners of this and of all of the factors discussed in this PM on your next scheduled bulletin.

If a health care provider, billing service, or clearinghouse submits transactions directly to several contractors, they are still required to perform, at a minimum, compatibility testing with each contractor on each standard system with whom they exchange electronic transactions to ensure communication protocols and volume considerations unique to each contractor are tested.

CMS understands it may be necessary for you to continue testing until October 16, 2002 for EDI submitters that requested testing late in the fiscal year. Due to the large volume of testing you will be performing, you are not required to provide test results to EDI submitters within 3 working days during FY 2002, as currently required in the Medicare Carriers Manual and Medicare Intermediary Manual. You must provide test results to your EDI submitters as soon as possible but no later than 10 business days. The 3-day standard will be reinstated on October 17, 2002.

As of October 1, 2001, you must encourage all EDI submitters to begin using the X12N 837 version 4010 for inbound EDI claim transactions. All new EDI submitters **not using** a current, Medicare approved billing service (approved by the contractor with which the submitter does business), clearinghouse, or software, who request to begin sending inbound EDI claim transactions to you, must use version 4010 of the inbound X12N 837 Health Care Claim transaction. New EDI submitters **using** a current Medicare approved billing service, clearinghouse, or software, may use the current version supported by these entities until they are able to provide X12N 837 version 4010 services. You must explain to these submitters that this solution is temporary in nature and that all claim transactions will be required to be submitted in the X12N 837 version 4010 beginning October 16, 2002. You may continue to allow those new EDI submitters who wish to use the non-HIPAA Medicare free billing software to submit current versions until April 2002. After April 2002, you must provide only the HIPAA software to those new EDI submitters who request free billing software.

This ensures anyone “wholly” new must begin with the HIPAA version, but does not limit vendors or clearinghouses from taking on new clients before they are ready for version 4010, as long as they convert prior to October 16, 2002.

### **EDI Receiver Testing**

By January 2, 2002, you must begin to test those COB trading partners and those remittance advice receivers who have requested testing. This date supercedes the date in PM-B-01-06, dated February 6, 2001. Your coordination of benefits (COB) trading partners and remittance advice receivers must either request testing for receipt of the X12N 4010 837 COB and X12N 4010 835 remittance advice prior to October 2002 or be confident that they have completed system changes as required to accept production X12N 4010 837 COB and X12N 4010 835 transactions by October 16, 2002. Any trading partner that prefers to have COB and remittance advice testing conducted prior to transmission of production data must test with you as soon as possible to assure testing will be completed before October 2002. Current trading partners will automatically be sent production X12N 4010 835 remittance advice transactions on October 16, 2002. You must notify your current COB trading partners that they must have the capability to accept the X12N 4010 837 COB by October 16, 2002. You must make it clear that they must notify you that they are ready to accept the X12N 4010 837 COB.

New EDI receivers who wish to receive current versions of Medicare remittance advice and COB transactions may do so, however, you must explain to them that this is temporary, and that all remittance advice and COB transactions will be required to be in the X12N 835 and outbound X12N 837 version 4010 beginning October 16, 2002. You must explain to them that if they do not choose to accept the HIPAA versions, they will have to program twice, once for current Medicare transactions and again for the HIPAA versions.

In anticipation of your COB trading partners and remittance advice receivers wanting to test with you, we recommend you allow time for this activity.

### **Standard System Testing Requirements**

Prior to testing with your EDI submitters, your standard system maintainer must have completed all testing requirements as directed in PM AB-01-07, dated January 19, 2001. This includes internal testing of software releases, beta testing their software at a CMS selected user site (for those standard systems that have beta testers), and Common Working File beta site release testing.

You must support a testing environment that simulates the production environment as closely as possible. Your standard system maintainer must implement system changes to enable you to conduct automated tests with EDI submitters/receivers of version 4010 X12N transactions while allowing you to continue to receive, send, and test transactions in earlier versions and non-HIPAA formats. This will allow you to continue to support the acceptance and processing of different versions of EDI transactions. Production versions of your programs are to be used.

### **Contractor Testing**

You must successfully complete testing of your standard system release from your front-end processing system, through the standard system prior to the start of testing with your EDI trading partners in October 2001.

You must perform level 4 testing as part of your normal systems release testing. Level 4 testing is defined as:

#### Level 4 - Conditional Situations

This testing will include testing conditional situations, implementation guide specific code sets values, assuring segments/data elements required for certain health care services are submitted properly (ambulance, durable medical equipment, etc.), data validation, trading partner agreement requirements (for example, size limits on amount fields), and testing output to assure the appropriate output can be produced and the transaction is suitable for Medicare processing.

You are responsible for conducting the EDI Submitter Testing and EDI Receiver Testing as defined above.

Testing of your EDI submitters on the X12N 270/271 Eligibility Inquiry/Response and the X12N 276/277 Claim Status Request/Response will be addressed in a future PM.

### **Third-Party Certification Systems and Services**

Third-party HIPAA certification systems provide test data and testing services to test compliance of the HIPAA transactions. While we strongly encourage you, your EDI submitters, and trading partners to test with a certification system, we are not mandating such a requirement.

Those EDI submitters that tested the inbound X12N 837 with a certification system are to provide you with either a certificate of compliance that specifies the different levels of testing passed or provide you with a certification website that indicates they have successfully passed certification testing. If you believe the testing with the certification system is adequate, those EDI submitters that

have been certified at levels 1 through 2, only need to test for compatibility and suitability for the Medicare claim process. A sample of some of the current certification and testing services available today are provided in the WEDI SNIP Testing and Certification White Paper found at: [www.wedi.org/snip/transactions/index.html](http://www.wedi.org/snip/transactions/index.html)

### **Documentation**

It is important to retain all documentation related to the testing required by this PM. Documentation may be hard copy or in electronic form. You must adhere to the contractor testing documentation requirements dictated in PM AB-01-07.

### **Reporting Requirements**

Carriers, DMERCs, and FIs are to report the following:

Contractor Name;  
 Standard System Maintainer;  
 Regional Office Number (R1, R2, etc.);  
 Total Number of EDI submitters prior to October 1, 2001;  
 Total Number of Current EDI submitters (after October 1, 2001);  
 Total Number of EDI trading partners in test for the HIPAA claim, COB and remittance transactions;  
 Total Number of EDI trading partners in production for the HIPAA claim, COB, and remittance transactions;  
 Percent of EDI trading partners in production for the HIPAA claim, COB, and remittance transactions.

Carriers, DMERCs and FIs must submit a report using the Excel 1997 spreadsheet (hipaacar.xls and hipaaint.xls) found at [www.hcfa.gov/medicare/edi/edi.htm/hipaadoc.htm](http://www.hcfa.gov/medicare/edi/edi.htm/hipaadoc.htm)

You must submit this report by the tenth of each month for the prior reporting month beginning November 1, 2001 through April 1, 2002. Beginning May 2002, start submitting your report every other Friday. Submit the report to your CMS Consortium Contractor Management Staff (CCMS) Systems Specialist and your CCMS HIPAA contact.

### **Cost Issues**

Intermediaries, carriers, and DMERCs should include any necessary costs incurred to comply with these testing requirements in their 2002 Budget and Performance Requirements (BPRs) funding requests.

### **Reporting Implementation Guide Edits**

Transmittal B-01-32, dated April 26, 2001 required you or your standard systems maintainer to identify implementation guide edit errors on non-Medicare data as not being required by Medicare. This instruction eliminates the requirement to add the statement on your error reports that Medicare does not require the data.

**The *effective date* of this PM for Carriers, Intermediaries and DMERCs is October 1, 2001.**

**The *effective date* of this PM for standard system maintainers is January 2, 2002.**

**The *implementation date* of this PM for Carriers, Intermediaries and DMERCs is October 1, 2001.**

**The *implementation date* of this PM for standard systems maintainers is January 2, 2002.**

**See the section of this instruction labeled “Cost Issues” for testing and compliance certification cost information.**

**This PM may be discarded after October 16, 2002.**

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